



October 27, 2005

Hon. Ralph Klein
Government of Alberta Ministers Office
The Legislature Building
10800 - 97th Avenue
Edmonton AB T5K 1B6

Dear Hon. Klein:

Re: Innovation Tax Policy Review

PTAC Petroleum Technology Alliance Canada is an association that facilitates innovation, collaborative research, and technology development, demonstration and deployment for a responsible Western Canadian upstream hydrocarbon energy industry. PTAC's objective is to improve the industry's financial, environmental and safety performance through the application of new technology and research. Approximately 220 members and numerous government funders provide resources to enable PTAC to identify opportunities and provide co-ordination and pooling of resources for new technology and research. PTAC's members produce 3.7 million BOE's per day, 78% of Canada's oil and gas. Enclosed is PTAC's 2004 Annual Report (<http://www.ptac.org/about/dl/ar04.pdf>) to provide you with additional information on our association. You may also wish to visit our website at <http://www.ptac.org>

PTAC recently learned that the Alberta Government has an interdepartmental committee developing tax policy options to accelerate innovation in Alberta. PTAC made a number of recommendations in two recent reports that we believe are relevant to this matter.

The report recommendations that are specific to tax and spending policy are listed below:

Spudding Innovation – Accelerating Technology Deployment in Natural Gas and Conventional Oil:
(<http://www.ptac.org/techinnp.html>)

2.2.4.2 Revamp Income Tax Credits (pg. 10)

2.2.4.3 Top up National Research Council Industrial Research Assistance Program (IRAP) funding
(pg. 10)

2.2.4.4 Encourage Launch of Petroleum Recovery Innovation Fund (pg. 11)

Barriers to Deployment of Environmental Technologies in the Upstream Oil and Gas Industry:
(<http://www.ptac.org/eet/dl/eetreport0401.pdf>)

4.1.1 Income tax credit for investors in environmental technology companies (pg. 15)

4.1.2 Enrichment of federal tax credit for Scientific Research & Experimental Development (SR&ED) for environmental technology developers (pg. 16)

4.2.1 Demonstration funding (pg. 17)

4.2.3 Royalty credit program "greened" to benefit environmental technologies (pg. 18) .../2

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In summary, PTAC encourages the Alberta Government to implement the following:

- A provincial research and technology development (R&D) tax credit (similar to the federal SR&ED tax credit)
- A provincial investor R&D tax credit for individuals investing in technology companies (similar to the British Columbia Innovation and Productivity Tax Credit (IPTC))
- A provincial venture capital fund
- Funding support for the National Research Council Industrial Research Assistance Program (IRAP)
- Greening of the provincial Innovative Energy Technology Program (IETP)

We believe that these actions will strengthen the framework for innovation in Alberta and lead to a higher quality of life and greater prosperity for Albertan's. Please contact me at (403) 218-7701 or elloyd@ptac.org should you wish to discuss these recommendations.

Sincerely,



Original signed by

Eric Lloyd, President

c.c.: Hon. Victor Doerksen, Minister of Innovation and Science
Hon. Clint Dunford, Minister of Economic Development
Hon. Shirley McClellan, Minister of Finance
Hon. Greg Melchin, Minister of Energy